

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-02 INR-10 INT-05
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TO SECSTATE WASHDC 8722
INFO AMEMBASSY BRUSSELS
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PASS TREASURY DEPT WASHDC

USOECB; USEEC

E.O. 11652: N/A
TAGS: ENRG, UK, EINV, EFIN
SUBJECT: SIXTH ROUND OF UK OIL LICENSES

REF: LONDON 7428

1. TERMS FOR BRITAIN'S SIXTH ROUND OF OIL LICENSES
WILL BE ANNOUNCED LATER TODAY. THE PROPOSED REQUIRE-
MENTS THAT COMPANIES OFFER TO CARRY BNOC IN THE
EXPLORATION STAGE AND OFFER TO GIVE BNOC THE RIGHT TO
PURCHASE MORE THAN 51 PERCENT OF THE OIL (REFTEL)
ARE RETAINED.

2. OTHER CONDITIONS HAVE BEEN MODIFIED SLIGHTLY.
BNOC WILL PAY THE FINANCE CHARGES ON EXPLORATION-
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STAGE CARRIED EQUITY AT THE TIME FIELD DEVELOPMENT
BEGINS. THUS, ONCE AN OILFIELD IS LOCATED VIA
PRIVATE COMPANY RISK, BNOC WOULD CLAIM A FULL SHARE
INTEREST IN THE OILFIELD. BNOC WOULD NOT REIMBURSE
COMPANIES FOR DRILLING EXPENSES EITHER FOR THE SUCCESS-
FUL WELL OR FOR OTHER DRY HOLES. RATHER, IT WOULD AT
THAT TIME PAY INTEREST CHARGES ON ITS SHARE OF A

COMMERCIALLY SUCCESSFUL WELL.

3. OPERATORSHIP FOR THE EPXLORATION AND PRODUCTION PHASES WOULD BE APPROVED SEPARATELY. HOWEVER, THESE TWO SEPARATE DECISIONS MIGHT BE MADE AT THE SAME TIME IN SOME CASES. THEREFORE, SOME COMPANIES MAY KNOW FROM THE BEGINNING THAT THEY WILL BE THE OPERATORS FOR ANY OIL THEY FIND; OTHERS WILL NOT HAVE THAT CERTAINTY.

4. COMPANIES WILL RECEIVE TWELVE MONTHS' NOTICE (RATHER THAN THE PROPOSED SIX) IN THOSE OCCASIONS WHEN BNOC REQUIRES THEM TO BUY BACK THEIR OWN CRUDE.

5. AS WITH THE FIFTH ROUND, LICENSES WILL BE VALID FOR TWO PERIODS TOTALING SEVEN YEARS, WITH ONE-THIRD OF THE LICENSED AREA RETAINED FOR THIRTY YEARS BEYOND THE INITIAL SEVEN.

6. A TOTAL OF 40 BLOCKS WILL BE OFFERED PRIVATE COMPANIES (VERSUS HUNDREDS IN EACH OF THE FIRST FOUR ROUNDS AND 71 IN THE FIFTH). MOST ACREAGE IS IN THE SOUTHWESTERN APPROACHES AND DUE NORTH OF THE SHETLANDS. A SCATTERED FEW BLOCKS ARE IN THE OUTER MORAY FIRTH EAST OF SCOTLAND, THE TRADITIONAL OIL AREAS NEAR THE NORWEGIAN MEDIAN LINE, AND WEST OF WALES. SIX
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ADDITIONAL BLOCKS ARE BEING AWARDED DIRECTLY TO BNOC.

7. LICENSE APPLICATIONS MUST BE RECEIVED BEFORE 20 NOVEMBER. AN EVALUATION PERIOD OF SEVERAL MONTHS WILL THEN ENSUE BEFORE AWARDS ARE ANNOUNCED.

8. THE FULL TEXT OF THE ANNOUNCEMENT FOLLOWS BY POUCH.

BREWSTER

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NNN

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